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August 13, 2019

VIA ELECTRONIC FILING

Jocelyn G. Boyd, Esquire
Chief Clerk & Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, South Carolina 29210

RE: Application of Blue Granite Water Company for Approval of a Wholesale Water Supply Agreement with the City of Charlotte for the York County/Riverhills Subdivision Portion of Its Authorized Service Area
Docket No. 2019-223-W

Dear Ms. Boyd:

By this letter, the South Carolina Office of Regulatory Staff ("ORS") hereby notifies the Public Service Commission of South Carolina ("Commission") that ORS has reviewed Blue Granite Water Company's ("BGWC") request for approval of a Wholesale Water Supply Agreement with the City of Charlotte for the York County/Riverhills Subdivision portion of its authorized service area.

Overview of Company's Request

BGWC requests the Commission approve a contract to purchase wholesale water supply from the City of Charlotte to serve its water customers in the York County/Lake Wylie area of its authorized service territory. BGWC provides water service to 4,442 customers in its York County/Lake Wylie service area. The primary water supply for the distribution system is York County which in turns purchases water from the City of Rock Hill. BGWC's Franchise Agreement with York County was approved by the PSC in Order No. 2018-325 in Docket No. 2018-74-WS. BGWC has entered into a wholesale water service agreement with the City of Charlotte in order to obtain a supplemental water supply.

Water Supply Restrictions for Riverhills Subdivision

On May 31, 2019, BGWC notified the PSC that it implemented a conservation protocol for non-essential water use in the York County/Riverhills subdivision. In the letter filed in Docket No. 2014-309-W, BGWC stated that the conservation protocol was implemented to protect the public health, safety, and welfare of its customers by ensuring adequate water for drinking, sanitation, and fire protection services. The restrictions on water usage for the service territory are in effect from May 31, 2019 to October 1, 2019. Over 25 protestants filed comments in Docket No. 2018-358-W to complain about the water restriction implemented by BGWC. Representatives of BGWC informed ORS that it will need a larger elevated storage tank (at least 1 million gallons) to fully meet its water needs for the area beyond the existing 250,000-gallon tank.¹

In addition, ORS received five individual complaints from the customers of the York County/Riverhills Subdivision concerning the current water restriction protocol.

ORS Recommendation

ORS recommends the Commission require BGWC to purchase its water for the York County/Riverhills Subdivision service territory from the lowest cost water supply provider. This condition should reduce the purchased water expense and BGWC should pass any realized savings to its customers. In the event the lowest cost water supply provider experiences water supply issues, water quality issues, or there exist water system integrity issues that makes water supply unavailable or restricted by usage, BGWC should document the water supply or quality issue and justify any purchase that is not the lowest cost in the next rate case proceeding. BGWC interpreted their Franchise Agreement with York County, approved in Order No. 2018-325, to allow for purchases from other water supply providers.² The agreement with the City of Charlotte requires that BGWC purchase a minimum of 60,000 gallons for a maximum two-day period and a minimum total of one million gallons per billing cycle in order to ensure proper water quality.

The current purchased water rate from York County is \$4.42 per 1,000 gallons and a Base Charge of \$508.23. The City of Charlotte has agreed to provide BGWC with potable water at a rate set forth in the City Commercial Rates and Fees structure which currently includes a monthly Water Availability Fee, a Commercial Water Usage Charge, and a monthly Water Fixed Fee. The current purchased water rates and charges with the City of Charlotte is as follows: Water Availability Fee for an 8-inch meter of \$324.43 per billing cycle, a Water Usage Charge of \$3.76 per 1,000 gallons, and Water Fixed Fee of \$4.45 per billing cycle.

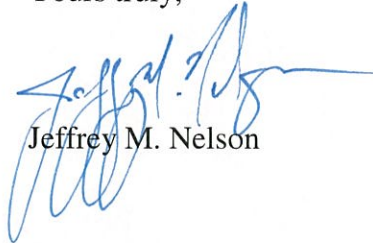
¹ BGWC (Michael Cartin, Travis Dupree, Robert Hunter) meeting with ORS on May 20, 2019 at 1:00 p.m.

² BGWC Response to ORS First and Continuing Audit Request for Records and Information in Docket No. 2018-223-W

Letter – Jocelyn G. Boyd, Esquire
Page 3 of 3
August 13, 2019

Subject to the above condition, ORS recommends the Commission approve the Wholesale Water Supply Contract with the City of Charlotte.

Yours truly,



Jeffrey M. Nelson

cc: Joseph Melchers, Esquire (via E-mail)
All Parties of Record (via E-mail)